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2 August 1957

**SUBJECT:** Indications of an Increase in the Soviet Economic Offensive and its Possible Connection with the Return of the Soviet Ambassadors.

1. Following the June purge the USSR has concluded or indicated a desire to conclude a number of significant economic deals with "under developed" nations most of which are peripheral to the Sino-Soviet bloc. The Soviet economic offensive has been increasing for several years and continued to expand during the first six months of 1957. It should be noted however that the expansion in the first half of 1957 resulted primarily from the implementation of credits previously arrived at, from a growing number of Soviet technicians in the underdeveloped areas and from increased Bloc trade. Soviet credits extended during the first half of 1957 were minimal and indeed showed a marked contrast from the considerable credits granted in 1956. They are also in marked contrast with the credits extended in late June and July.

2. Summarized below are indicators of the expansion of the Soviet economic offensive since the June purge. It is possible that these activities were contemplated prior to the purge and it should also be noted that several were in various stages of culmination prior to that time.

**YUGOSLAVIA:** The Soviet and East German decision in late July to implement the \$250,000,000 agreement with Yugoslavia for the development of Yugoslavia's aluminum and nitrogen industry after the Soviet Union pleaded an inability to do so last winter.

**TURKEY:** The reported conclusion in Moscow in late July following a two-months stay by the Turkish delegation in the USSR whereby the USSR will install a glass factory in Turkey and the initiation of discussions which may lead to the building of a chemical factory by Russian technicians.

**SYRIA:** The reported agreement in late July by the USSR to lend Syria \$112,000,000 including funds for Syrian development projects. The loan is repayable within 10 years and the

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agreement reportedly also will include a reduction or cancellation of arms payments.

ICELAND: The offer in late June or early July of a \$25,000,000 Soviet credit to Iceland to finance the purchase of East German fishing vessels.

AFGHANISTAN: The announcement on 30 July, at the end of the visit of Afghan King Zahir to the Soviet Union, that Foreign Ministers Naim and Gromyko had agreed that the USSR would expand Soviet economic assistance in that country.

INDIA: The expected arrival in late July of a high-level delegation in New Delhi to discuss the utilization of the \$126,000,000 loan extended last November for the implementation of which the Soviets have been pressing. The delegation is also expected to discuss technical aid for India in the construction of heavy equipment. It had been reported that this delegation was to be headed by M. A. Menshikov the Soviet Ambassador to India.

EGYPT: The decision of the Egyptian Government in late July to establish the General Petroleum Company which will have exclusive rights for the exploration, production and marketing of oil and for which the Soviet Union will supply part of the capital and will provide technicians and machinery.

CEYLON: The statement by Khrushchev on 24 July to the Ceylonese Ambassador that the USSR would assist Ceylon in developing its rubber industry and would take all the resulting increase in production.

IRAN: The sending of Soviet engineers in early July to Tehran to discuss with Iranian officials the improvement of Iran's Caspian Sea ports and joint ventures to develop water resources along their common borders.

3. The Chief Directorate for Economic Relations (GUES) has been elevated to the status of a state committee under the Council of Ministers. The elevation of this organization, under M. G. Pervukin, at least reflects the importance the Soviet economic offensive has already achieved and may portend a further broadening of effort in this field. Most students of public administration would acknowledge a natural tendency of an organization to expand its activities even though its promotion in hierarchical dignity may have been in recognition of past achievement.

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4. A number of Soviet ambassadors have returned to Moscow during July or have remained there following the June central committee plenum. An examination of the attached listing indicated that a majority of the returnees are from either under-developed nations or nations peripheral to the Soviet Union. Perhaps several ambassadors returned for specific individual reasons, but the large number of those returning and the geographic pattern of posts suggest that matters of common concern are under discussion. It is possible that the ambassadors may have been briefed on the purge but this appears unlikely in view of the geographical pattern of returnee posts. Furthermore, Vinogradoff, the ambassador to France, was at the June plenum and presumably would already be briefed. The same is true with Pegov, the ambassador to Iran, whose return reportedly has been postponed by various travel difficulties imposed by the Iranians. A reaffirmation of Soviet foreign policy probably could be handled by normal diplomatic communication. It is also somewhat unlikely that a wholesale purge of ambassadors would occur at this time.

5. Since the ambassadors are almost exclusively from peripheral areas to the Sino-Soviet bloc it seems most likely that a major Soviet foreign policy tactic affecting those areas is under discussion. The Soviet intent to neutralize these areas has been manifest for some time. It seems most likely that some Soviet move designed to accomplish this objective may be under consideration. One possibility, perhaps in conjunction with others, might be an expanded Soviet economic offensive. The presence of ambassadors would be helpful in appraising the success of the program to date and in reviewing the programs for the future. There is no evidence for this line of speculation except for the indications of increased Soviet activity in this field particularly in most of the geographical areas from which the ambassadors have returned. It is worth noting however, that the Soviet economic delegation which is supposed to have just arrived in India reportedly was to be headed by the Soviet ambassador.

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**SUBJECT: RECALL OF SOVIET DIPLOMATS TO MOSCOW**

1. The following Soviet ambassadors left their posts for Moscow on the dates shown:

<u>NAME</u>	<u>POST</u>	<u>DATE DEPARTED</u>	<u>PARTY POSITION</u>
Tevosyan, I. F.	Japan	August	CC member
Zimyanin, M. V.	Vietnam	17 July	Auditing Commission
Zarubin, G. N.	U. S.	25 July	CC candidate
Yudin, P. F. (Unconfirmed)	China	Not in Peiping 20 or 23 July	CC member
Menshikov, M. A.	India	?	CC candidate
Vinogradov, S. A.	France	Charge Identified 19 July	Auditing Commission
Zakharov, A. V.	ECOSOC, Geneva	17 July	*Dep Fon Min
Shpedko, Ivan	Pakistan	Early June	Career Diplomat
Karavayev, B. I.	Ethiopia	2 June	*
Yershov, P. I.	Switzerland	12 June	*
Yakushin	Thailand	June	*
Shchiborin	Burma	June	*
Kisilev	Egypt	June	*

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<u>NAME</u>	<u>POST</u>	<u>DATE DEPARTED</u>	<u>PARTY POSITION</u>
(Preceding five went to Moscow in June and have not yet returned to their posts)			
Ryzhov	Turkey	August	*
Degtyar, M. V.	Afghanistan	17 July (Arrived Moscow)	Believed to be vet party worker
Slavin	Denmark	17 July	*
Smirnov, A. A.	West Germany	23 July	Veteran Party worker
Teplov, L. F.	Sudan	24 July	*
Gribanov, M. G.	Norway	17 July	*
Lapin (Unconfirmed)	Austria	21 July	*

Those marked \* are not known to hold party positions although it is assumed that they are at least party members.

2. There are also reports that large number of less important diplomatic officials, particularly from the Near East, are going back to Moscow. Information on these is not available.

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